

DECISION-MAKER:	CABINET		
SUBJECT:	EXECUTIVE RESPONSE TO THE FUTURE OF WORK IN SOUTHAMPTON INQUIRY		
DATE OF DECISION:	20th AUGUST 2019		
REPORT OF:	THE LEADER OF THE COUNCIL		
<u>CONTACT DETAILS</u>			
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STATEMENT OF CONFIDENTIALITY			
Not Applicable			
BRIEF SUMMARY			
<p>The Future of Work in Southampton Scrutiny Inquiry took place between September 2018 and March 2019, to consider how the City could maximise the opportunities created by artificial intelligence (AI), automation and technological changes whilst seeking to mitigate the potential disruption to the labour market.</p> <p>The Future of Work in Southampton Scrutiny Panel Inquiry sessions received advice, insights and examples from world and nationally recognised experts such as Dame Wendy Hall (the Government’s AI champion) and Andrew Carter, Chief Executive of Centre for Cities. The subsequent report from the Scrutiny Inquiry Panel was presented at the Cabinet meeting on 16 April 2019. In line with the Council’s Constitution, the Executive has now prepared its response to the recommendations set out in the report.</p> <p>The Executive proposes that all 19 recommendations are approved by the Cabinet to meet the City’s growth ambitions in order to support residents and employers to benefit from the opportunities technological advancements bring to the quality of civic and economic life.</p> <p>The Inquiry and the proposed response demonstrates the agility of the City Council in responding to the challenges and opportunities presented by new technologies as well as representing the significant work already undertaken to keep the City economy and its citizens thriving. The additional resource requirements identified in the action plan will be considered as part of the business planning process for inclusion in the overall medium term financial strategy for Southampton City Council.</p>			
RECOMMENDATIONS:			
	(i)	To approve the response to the Future of Work in Southampton Scrutiny Inquiry recommendations as set out in the Action Plan attached as Appendix 1.	
	(ii)	To delegate authority to the Director of Growth, after consultation with the Leader of the Council, to include funding	

		requirements as part of the annual budget setting process as highlighted in Section 4 of this report and detailed in the Future of Work in Southampton Action Plan.
	(iii)	To delegate authority to the Director of Growth, after consultation with the Leader of the Council, to establish a citywide steering group to oversee the implementations of the recommendations set out in the Future of Work in Southampton Action Plan. The Steering group will report back to the Council in September 2021.

REASONS FOR REPORT RECOMMENDATIONS

1.	The Overview and Scrutiny Rules in part 4 of the Council’s Constitution requires the Executive to consider all inquiry reports that have been endorsed by the Overview and Scrutiny Management Committee (OSMC), and to submit a formal response to the recommendations.
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ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

2.	DO NOTHING – Whilst the City’s economic performance continues to improve, underlying issues remain in relation to labour market inactivity, productivity of the working age population, graduate retention, business survival rates, wage rates of the local population and proportion of residents with high skills. Thus it is incumbent to adopt recommendations set out in the Scrutiny report with the due injection of resources and strategic partnership working to ensure Southampton remains at the forefront in adopting innovative solutions for its future growth, prosperity and wellbeing of its citizens.
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DETAIL (Including consultation carried out)

3.	<p>Forecasts indicate that the job market will look very different in 2030. Advances in ‘smart automation’ and a range of digital technologies have the potential to bring a range of socio –economic benefits to the City.</p> <p>Whilst new, high value-high skilled jobs will be created in the realm of technology, analysis suggests that up to 30% of UK jobs could potentially be at high risk of automation by the early 2030s. The risks appear highest in sectors such as transportation and storage, manufacturing and wholesale and retail, but lower in sectors like health and social work. Further, a recent report from the Learning and Work Institute (2019) forecasts that Southampton and Portsmouth will experience a surplus of low / intermediate skills and a shortage of high skills by 2030. The loss of economic output across both cities is estimated to be between £1.1bn and £2bn by 2030 due to skills shortages.</p> <p>Given the importance of the issue, local labour market dynamics and the potential impact of ‘smart automation’ on Southampton’s economy, the Overview and Scrutiny Management Committee recommended ‘The Future of Work in Southampton’ as an appropriate subject for a scrutiny inquiry at the July 2018 meeting. The objectives of the Inquiry were:</p> <ul style="list-style-type: none"> • To develop understanding of the potential opportunities and risks to the Southampton economy generated by smart automation. • To consider the existing plans and proposals in place to maximise the opportunities and mitigate the risks in Southampton.
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- To identify what is being done elsewhere to prepare economies for the impact of smart automation.
- To identify what initiatives could be introduced in Southampton to upgrade the skills mix of the workforce, support digital sectors that can generate new jobs, target new opportunities and seek to ensure that the benefits of this technological revolution are felt by all across the city.

The Scrutiny Inquiry Panel undertook this brief over five evidence gathering meetings between September 2018 and February 2019 and received expert advice, insights and examples from a variety of organisations and individuals. This included representatives from both universities, Solent Local Enterprise Partnership, local colleges, businesses, representatives from the UK and local tech sector, the Leader of the Council and the Cabinet Member for Aspiration, Schools and Lifelong Learning as well as Southampton City Council officers.

The subsequent report from these evidence gathering meetings contains nineteen recommendations to guide the Council in taking a lead role to capitalise on the opportunities created by artificial intelligence, automation and technological changes, whilst seeking to safeguard local jobs, increase the growth prospects of businesses and continuing to raise the aspirations of all citizens. In response to the Inquiry Panel's report, attached as Appendix 1, is a high-level Action Plan for Cabinet approval detailing proposed solutions against each recommendation.

A major recommendation set out in the Future of Work in Southampton report is the Cities of Learning (CofL) project. CofL is an initiative from the US but adapted for the UK by the Royal Society for the encouragement of Arts, Manufactures and Commerce (RSA) that brings together learners, learning, employers and key civic institutions to form purposeful city-wide networks. These networks are supported by a digital platform that connects learners to a wealth of learning opportunities through digital 'open badges', an online system of learning, to support opportunities for employment and lifelong learning. The key outcomes in Southampton becoming a CofL are:

- Increasing participation in (purposeful, certified) lifelong learning and thereby addressing social mobility and wider inequalities;
- Establishing progressive pathways to higher learning, the world of work, and continued self/professional development; and
- Increasing pride and opportunity in the City.

Given the long-term, transformational nature of the CofL project a detailed, costed project and implementation plan, containing all deliverables and outputs, will be prepared for Spring 2020.

External funding will be sought to develop the programme, including establishing the virtual platform and the digital credentials to support learning / employment pathways for citizens. Council funds will, however, be necessary to prototype the CofL model.

	<p>Whilst much of the current effort and resourcing will be geared towards developing the skills base and improving employment outcomes for residents, equal effort will go into:</p> <ul style="list-style-type: none"> • Growing the tech sector, which is currently experiencing higher rates of growth than Reading, Bristol and Bournemouth according to a report by Tech Nation (2018); and • Increasing the digital absorption of all employers i.e. their capacity/capability to adopt new technologies into business practices that generate higher productivity, innovation and ability to recruit/retain top talent. <p>Hence, the City Council is pursuing a number of initiatives (subject to largely external funding requirements) with partner support. For example, establishing a dedicated AI centre in the City/region, the roll out of a regional programme to assist SMEs in their digitalisation journey and improving the positioning/promotion of the City as a ‘tech destination’.</p>
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RESOURCE IMPLICATIONS

Revenue

<p>4.</p>	<p>There are resource requirements for the delivery of all nineteen recommendations in the Future of Work in Southampton action plan.</p> <p>Much of the resource will be absorbed through existing staff capacity and external project funds, approximately £250,000 pa (a mixture of core SCC and external project funding) to support this programme over the next two years (£500,000 in total). However, additional resource is required to cover a shortfall of funds where existing staffing and/or external project funds cannot support:</p> <ul style="list-style-type: none"> • Cities of Learning piloting – non recurring revenue costs amounting to £60k required to procure the analytical / technical skills from a credible provider to: map local skills ecosystem & networks, develop the CofL business model, design and test digitised skills certification, form learning pathways aligned to the City’s / employers priorities, pre-pilot and pilot planning support. We seek to raise £200k from external sources to support CofL piloting. • Developing a skills-based/digitally enriched curricula – needed to increase performance of the City’s educational institutions – including Ofsted rating – to secure better outcomes/progression for children and young people into the realm of work. Revenue costs amounting to £45k over a two-year period needed for teacher training, curriculum resources and developing a citywide strategic education/post-16 framework in light of changing labour market/economic conditions to meet the City’s growth ambitions. • Digital diagnostics – an audit of employer readiness for digitalisation e.g. digital capability, infrastructure and capacity for change. Carried out by a credible provider, this benchmarking exercise will give employers a route to enhance/expedite their digital transformation with proven tools and resources. Revenue costs totalling £40k to
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pilot this work over a two-year period with additional external funds sought to ensure sufficient sectoral coverage, beginning with education (to support digital literacy in schools/colleges) and the creative and cultural sector (to support the City of Culture bid).

- Digital masterclasses – delivery of bespoke, employer-responsive digital skills training in key technical / occupational areas (e.g. software engineers, software developers, cyber security professionals and network specialists) where the City is experiencing acute recruitment gaps. This will boost local residents’ access to tech related ‘live vacancies’ from local employers. Revenue costs over a two year period totalling £10k needed with employer / learner contributions. Future delivery model self-funded from employers and learners.
- Learning and Skills role - to improve performance, quality of provision/transition (between KS4 and KS5 as well as KS5 and KS6) and progression outcomes to ensure young people have the skills and relevant qualifications/credentials to meet future employers’ needs. In doing so, the City Council can fulfil its ‘enabling role’ as there is no current resource to do this. This is a full time role costed at £55k pa (including on costs – revenue, recurring) to 2025 for the duration of the medium term financial strategy.

	2020/21	2021/22	2022-2025	TOTAL
Piloting CofL model	£60,000	0	0	£60,000
Skills-based curricula (for schools and FE providers) including digital skills	£10,000	£35,000	0	£45,000
Digital diagnostics (across creative & cultural sector, green economy, education)	£10,000	£30,000	0	£40,000
Digital masterclasses	£5,000	£5,000	0	£10,000
Grade 10 post for learning and skills	£55,000 (inc. on costs)	£55,000 (inc. on costs)	£165,000 (inc. on costs)	£275,000
TOTAL	£140,000	£125,000	£165,000	£430,000

Consideration of these funding requirements will be made within the council’s annual budget setting process, and well as exploring opportunities to attract external funding for these programmes.

Property/Other

5. Use of local assets for hosting new business start-ups and/or delivering adult learning will be part of ongoing feasibility studies.

LEGAL IMPLICATIONS

Statutory power to undertake proposals in the report:

6. Local Government Act 2000 and Section 1 of the Localism Act 2011

<u>Other Legal Implications:</u>	
7.	NONE
RISK MANAGEMENT IMPLICATIONS	
8.	<p>Based on national economic forecasts and local labour market intelligence, to do nothing in response to the rise in use of automation and digital technology would leave the City's economy and its citizens in a weaker position, in terms of having the required skills to match the future labour market and the decline of the tech sector due to lack of required infrastructure, talent and business support.</p> <p>This ambitious programme will require external funding. Whilst it is considered that this should be achievable due to current regional and government priorities, this cannot be guaranteed and without this the programme could not achieve all its goals.</p>
POLICY FRAMEWORK IMPLICATIONS	
9.	<p>The proposals contained within this report and the Appendix are in accordance with the Council's Policy Framework. The recommendations in this paper support the delivery of the following Council Strategy 2016-2020 outcomes:</p> <ul style="list-style-type: none"> • Strong, sustainable economic growth • Children and young people get a good start in life.
KEY DECISION?	No
WARDS/COMMUNITIES AFFECTED:	All
<u>SUPPORTING DOCUMENTATION</u>	
Appendices	
1.	Future of Work in Southampton action plan
Documents In Members' Rooms	
1.	None
Equality Impact Assessment	
Do the implications/subject of the report require an Equality and Safety Impact Assessment (ESIA) to be carried out.	No
Data Protection Impact Assessment	
Do the implications/subject of the report require a Data Protection Impact Assessment (DPIA) to be carried out?	No
Other Background Documents	
<p>Other Background documents available for inspection at: https://www.southampton.gov.uk/modernGov/ieListMeetings.aspx?Committeeld=703</p>	
Title of Background Paper(s)	Scrutiny Inquiry Panel - Future of Work in Southampton